

## **Annual Stockholders' Meeting**

Friday, May 24, 2024

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From the comments by

**Matthias Zachert**

Chairman of the Board of Management of LANXESS AG

(Check against delivery)

Good morning, ladies and gentlemen, on behalf of the entire Board of Management, I would like to welcome you to this year's Annual Stockholders' Meeting.

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Twelve months ago, I told you here that we were facing a tough year in 2023. Today, one year later, I have to say: yes, unfortunately it has turned out that way.

But at the same time, I dare to predict for the coming months that we are out of the woods and that 2024 will be better than last year.

We look back on 2023 as a multi-crisis year – for the world, for the industry in general and especially for us in the chemical industry.

For LANXESS, it was perhaps the most difficult year in our company's history, and the perfect storm literally brewed over our industry.

In recent months, we have been confronted with unprecedented weakness in global demand – across almost all sectors and in almost all key market regions.

In my entire professional career, I have never experienced a crisis that has hit the chemical industry so hard.

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The upturn in industry that has been predicted at the beginning of last year for the second half of 2023 failed to materialize.

Important markets, including China, the world's largest chemical market, as well as Europe, fell well short of expectations.

In addition, the global economy has suffered and continues to suffer from geopolitical tensions, which have even increased significantly over the past year.

Ladies and gentlemen, this year has been particularly hard on the chemical industry in Germany, and therefore also on LANXESS.

This is because Germany continues to lose massive ground internationally in terms of competitiveness. In the "Country Attractiveness Index" published by the Center for European Economic Research, Germany



dropped four places between 2020 and 2022 alone and now ranks eighteenth out of 21 countries.

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According to a study by KPMG, international investors only see Germany as a mid-table location in an international comparison.

The biggest obstacles to investment: The excessive bureaucracy and high energy costs.

Both also contributed to the aforementioned “perfect storm” for the chemical industry.

Despite these extremely adverse conditions, we at LANXESS accepted the challenge right from the start.

First of all, this includes the recognition that we have benefited in this crisis from the systematic restructuring of the company in previous years.

I would venture to say that if we were still the rubber and plastics company we were 10 years ago, this crisis would have swept us away.

Today we can say: we have retained our ability to maneuver even in these difficult times.

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Of course, we have no influence on political crises or global demand.

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But we were very determined to tackle everything that was and is within our own sphere of influence.

Always with the aim of getting the company through these difficult waters of the global economy as well as possible.

I would like to mention three steps in particular:

Firstly, we swiftly decided to adapt our structures.

Early last summer, we launched our “FORWARD!” action plan, which will enable us to make significant savings in the long term.

Secondly, we have further reduced our debt and significantly improved our cash flow.

And thirdly, even in these difficult times, we have strategically developed the Group further and systematically continued our transformation towards specialty chemicals. I would now like to report on all of this in detail.

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## Balance sheet

Let's start therefore with the business performance in 2023.

At EUR 6.7 billion, our consolidated sales were 17% below the previous year's figure of EUR 8.1 billion.

Our EBITDA pre exceptionals fell by just under 45% to EUR 512 million after EUR 930 million in 2022, falling short of our expectations for the full year.

The EBITDA margin pre exceptionals reached 7.6% after 11.5% in the previous year.

At EUR 443 million, net income for 2023 was significantly higher than the previous year's figure of EUR 250 million.

This was due in particular to the proceeds we received from our joint venture partner Advent for the establishment of our joint venture Envalior.

At minus 843 million euros, the net income from continuing operations was significantly below the previous year's figure of 184 million euros.

This was due on the one hand to the development of the operating result and on the other to impairment losses on goodwill from acquisitions.

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Ladies and gentlemen, the figures show that business was extremely weak last year.

We therefore already announced our proposal to you in November to significantly reduce the dividend accordingly.

The Executive Board and Supervisory Board are therefore proposing a dividend of 10 euro cents per share today.

This corresponds to a total payout of around EUR 8.6 million.

I am aware that this is not good news.

But in such an extraordinary crisis situation in our industry, it is our responsibility and priority to maintain the financial stability of the Group.



In the future too - and I deliberately formulate this as an aspiration - we clearly want to remain a company that allows its shareholders to participate reliably in the success of our business through our dividends, among other things.

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Even though we will always take the company's financial situation and economic developments into account, we are aiming for an increasing or at least stable dividend.

Ladies and gentlemen, one positive aspect of the past year was that we made good progress towards our goals of reducing debt and increasing our cash flow.

We were able to reduce our net financial liabilities from EUR 3.8 billion to EUR 2.5 billion.

We primarily used the sales proceeds that we received in connection with the establishment of Envalor for this purpose.

At the same time, we were able to reduce net working capital and significantly improve our free cash flow thanks to the corresponding reduction in capital commitment.



At 526 million euros in 2023, this was significantly higher than the previous year.

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## Forward

Dear shareholders, financial solidity also means that we launched the “FORWARD!” action plan in early summer 2023 to decisively counteract the effects of the massive economic downturn.

As a first step, we have implemented immediate measures to stabilize our results for the 2023 financial year in the short term.

These included, for example, strict cost discipline in all areas and a Europe-wide recruitment freeze.

This enabled us to achieve one-off savings of 100 million euros.

In addition, we have launched far-reaching structural measures as the second pillar of "FORWARD".

This will permanently reduce annual costs by 150 million euros from 2025 onwards.

The focus here is on our administration, which we are streamlining significantly.

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Unfortunately, this involves the loss of 870 jobs worldwide, 460 of which are in Germany.

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Internationally, we have already completed the headcount reduction and in Germany we are well advanced in the process.

Corresponding contracts have been signed for the majority of the positions concerned.

Overall, we are right on track with the “FORWARD!” program.

This will enable us to reduce our cost base significantly, not just this year but in the long term.

This also shows that it was a good thing that we tackled all of this very early and with great determination – because we are all the more prepared to take advantage of the momentum of an upturn.

Ladies and gentlemen, I am aware that 2023 was an extremely stressful year for the entire LANXESS team.

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The team had to make considerable sacrifices as part of “FORWARD!”. At the same time, they had to assert themselves in global business despite all the adversities.

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My special thanks therefore go to our employees worldwide.

Their great flexibility, commitment and support for the measures taken have made a significant contribution to overcoming the massive challenges of recent months.

LANXESS is crisis-tested, and this time too it is clear that we at LANXESS stand together when it counts.

## Strategic milestones

Ladies and gentlemen, despite all the crises that the chemical industry and LANXESS had to contend with last year, we succeeded in further developing the Group.

In particular, we have consistently sharpened our profile as a sustainable specialty chemicals supplier.

We have already worked very quickly on this transformation process in recent years and made further progress in 2023.

A particular milestone was the establishment of a joint venture with private equity investor Advent on April 1, 2023, into which we contributed our High Performance Materials division.

The new company for high-performance engineering polymers is called Envalior and, in addition to our former High Performance Materials business, includes the former Engineering Materials business of the Dutch DSM Group.

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With the foundation of this joint venture, we have removed the last major polymer business from our portfolio and at the same time created a global champion for engineering plastics.

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We hold around 40 percent of the new company and can therefore benefit from the further potential of this business.

As part of the transaction, we received a payment of around EUR 1.3 billion from Advent, which – as already mentioned – we used primarily to reduce our net debt.

Dear shareholders, with this step we have largely completed our transformation from a polymer-dominated bulk business to a specialty chemicals player in less than ten years.

With the three segments Consumer Protection, Specialty Additives and Advanced Intermediates, we have a powerful, well-balanced setup with a clear focus on specialty chemicals.

We now need to exploit the full potential of our newly formed portfolio.



We have laid the foundations for this. As soon as the economy gives us a tailwind again, we want to switch back into growth mode.

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## **Sustainability**

Ladies and gentlemen, the transformation of recent years has always been associated with a clear focus on sustainability.

We are one of the first major chemical companies to set ourselves the goal of becoming climate-neutral by 2040.

We also made significant progress on this path in the past financial year.

Our Scope 1 and 2 emissions have once again fallen significantly.

In addition to the change in the portfolio, this is certainly largely due to the lower production in 2023.



But the trend is right: overall, we are achieving a continuous reduction of emissions of more than ten percent year after year.

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We are therefore delivering consistently – and are well on track to being climate-neutral in terms of Scope 1 and Scope 2 greenhouse gas emissions by 2040.

Ladies and gentlemen, I can also report good progress with Scope 3 emissions.

We have fallen below the 10 million tons of emissions and are now at 9.5 million tons.

We also have an ambitious goal here: the entire upstream and downstream supply chain should be climate-neutral by 2050.

We have also significantly expanded our range of sustainable products that bear our Scopeblue label.

Scopeblue stands for a significantly reduced CO<sub>2</sub> footprint of the product and a very high proportion of recycled raw materials.

This means that we have made good progress towards a completely sustainable portfolio.

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In the long term, we want to offer a sustainable alternative for every product.

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We are pleased and proud that our commitment to sustainability is also seen and recognized externally:

We have once again achieved top positions in several sustainability indices and ratings.

These include the Dow Jones Sustainability Indices Europe and World as well as the MSCI ESG and EcoVadis ratings. We achieve top rankings everywhere.

These positive evaluations, ladies and gentlemen, confirm our commitment.

Accordingly, following the sale of the high-performance plastics business, we have once again had our climate targets validated by the Science Based Targets Initiative

– one of the world's leading organizations for sustainability issues.

This makes us one of the few global chemical companies to be certified by the initiative as being in line with the Paris Climate Agreement with its climate targets.

I am particularly proud of this scientifically based assessment.

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## **Outlook/LANXESS 2024**

Ladies and gentlemen, the fact that we have successfully worked to make our Group a little better again and again, even in difficult times, gives me confidence for the future.

We have consistently continued our transformation towards specialty chemicals, we have strengthened our financial base and we have also further improved our sustainability profile.

With our streamlined structures and lower cost base, we have created the necessary conditions to be able to deliver better results again.

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We now want to put the horsepower of our redesigned specialty chemicals portfolio on the road. We are therefore currently working in many areas of the Group to optimize our market positioning and further sharpen our business models.

We want to exploit opportunities in new markets, make the most of our newly acquired systems, become even more customer-centric and leverage further synergies in the area of innovation.

In short: when times improve and the economy provides a tailwind again, we want to be in the best possible shape.

In fact, there are also initial signs that the economic downturn has been halted, at least for once.

Even though the start to this financial year was still weak, as expected, some arrows pointed upwards again in the first quarter – for the first time in months!

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Many of our customers have completed their destocking and our sales volumes – especially for additives and intermediates – have increased again.

We assume that this slight upward trend will continue in the second and third quarters and that there will be a moderate recovery in demand over the course of the year.

However, I expressly urge caution: the economic and geopolitical conditions remain very fragile and a sustained, strong upturn on a broad front is not yet in sight.

However, our cost base will continuously improve in 2024 thanks to our structural measures – as will the capacity utilization of our plants.

We therefore expect our EBITDA pre exceptionals to grow by between 10% and 20% this year compared to the previous year.

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Conclusion: we have passed the economic trough in the chemical industry, things are picking up slightly and we can look ahead with cautious optimism.

### **Thanks to Dr. Wolfgruber**

Ladies and gentlemen, allow me to conclude with a few personal words.

Dear Dr. Wolfgruber,

You mentioned at the beginning that you have decided to leave the LANXESS Supervisory Board after almost ten years.

You were Chairman of this body for six years. You took office on May 15, 2018 in the midst of our transformation.

In 2019, you chaired the LANXESS AG Annual Stockholders' Meeting for the first time. Today, almost to

the day, you are chairing your 6th and last Annual Stockholders' Meeting.

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Over the past few years, you have played a key role in writing our history and have shaped the profound transformation of LANXESS – from a high-volume synthetic rubber supplier to a genuine specialty chemicals company.

I would like to thank you – also on behalf of my colleagues on the Board of Management and the entire LANXESS Group – most sincerely for our trusting cooperation, for your commitment and your support, which have helped to make LANXESS what it is today.

And personally, I would like to thank you for all our discussions, for your advice and your ideas – and above all for your trust!

On behalf of the entire Board of Management and all employees of LANXESS AG, we wish you all the best for what lies ahead.



We would like to thank you very much for the journey together.

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## **Conclusion**

Ladies and gentlemen, dear shareholders, I would also like to thank you on behalf of the entire Management Board team.

Thank you for accompanying our change process so loyally and with constant trust and interest.

In 2024, we are laying the foundations for LANXESS to return to growth and realize our full potential as a sustainable specialty chemicals company.

We will continue on our path in the coming years with great determination and commitment in order to bring the Group to its full earning power. I can assure you of this: we still have a lot planned.

Thank you very much!